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XINDA INVESTMENT HOLDINGS LIMITED

鑫達投資控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1281)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of Xinda Investment Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2023 (the “**Period**”) together with selected explanatory notes and the comparative figures for the corresponding period in 2022 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	4	73,287	82,891
Cost of sales		<u>(51,052)</u>	<u>(56,369)</u>
Gross profit		22,235	26,522
Selling and distribution expenses		(161)	(1,584)
Administrative expenses		(10,131)	(16,162)
Reversal of impairment losses/(impairment losses) on financial assets		2,553	(23,505)
Impairment losses on property, plant and equipment		(1,370)	(1,072)
Impairment losses on goodwill		(7,298)	—
Other income		53	47
Other losses — net	5	<u>(1,715)</u>	<u>(7,435)</u>
Operating profit/(loss)		4,166	(23,189)
Finance income		1,741	5,743
Finance expenses		<u>(5,093)</u>	<u>(5,970)</u>
Finance expenses — net		(3,352)	(227)
Share of net loss of associates accounted for using the equity method	6	<u>—</u>	<u>(265,854)</u>
Profit/(loss) before income tax		814	(289,270)
Income tax expense	7	<u>(68)</u>	<u>(28,211)</u>
Profit/(loss) for the period		<u>746</u>	<u>(317,481)</u>
Profit/(loss) for the period is attributable to:			
Owners of the Company		343	(317,758)
Non-controlling interests		<u>403</u>	<u>277</u>
		<u>746</u>	<u>(317,481)</u>
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company (RMB)			
Basic earnings/(loss) per share	8	0.0002	(0.2140)
Diluted earnings/(loss) per share	8	<u>0.0002</u>	<u>(0.2140)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	746	(317,481)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of financial statements of overseas operations	<u>1,953</u>	<u>(8,785)</u>
Other comprehensive income/(loss) for the period, net of tax	<u>1,953</u>	<u>(8,785)</u>
Total comprehensive income/(loss) for the period	<u>2,699</u>	<u>(326,266)</u>
Total comprehensive income/(loss) for the period is attributable to:		
Owners of the Company	2,296	(326,543)
Non-controlling interests	<u>403</u>	<u>277</u>
	<u>2,699</u>	<u>(326,266)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Assets			
Non-current assets			
Property, plant and equipment		407,240	422,255
Right-of-use assets		14,309	14,792
Intangible assets		68,732	77,407
Deferred tax assets		2,885	3,527
Investments accounted for using the equity method		—	—
Deposit	9	23,570	23,570
Other non-current assets		9,080	9,077
Total non-current assets		525,816	550,628
Current assets			
Inventories		4,910	6,666
Contract assets		190,006	190,592
Trade and other receivables	9	234,919	218,714
Financial assets at amortised cost		—	—
Restricted cash		1,834	7,817
Cash and cash equivalents		215,572	205,381
Total current assets		647,241	629,170
Total assets		<u>1,173,057</u>	<u>1,179,798</u>
Equity and liabilities			
Share capital	10	12,255	12,255
Reserves		1,148,262	1,144,863
Accumulated losses		(297,453)	(296,350)
Equity attributable to owners of the Company		863,064	860,768
Non-controlling interests		5,933	5,530
Total equity		<u>868,997</u>	<u>866,298</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 30 June 2023*

		As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Liabilities			
Non-current liabilities			
Borrowings		147,050	160,500
Lease liabilities		10,479	12,458
Deferred government grants		1,906	1,959
Deferred tax liabilities		18,482	18,846
Contract liabilities		14,370	15,715
		<u>192,287</u>	<u>209,478</u>
Total non-current liabilities		<u>192,287</u>	<u>209,478</u>
Current liabilities			
Trade and other payables	<i>11</i>	69,183	56,793
Contract liabilities		1,691	8,666
Current tax liabilities		11,974	12,059
Borrowings		26,350	25,800
Lease liabilities		2,575	704
		<u>111,773</u>	<u>104,022</u>
Total current liabilities		<u>111,773</u>	<u>104,022</u>
Total liabilities		<u>304,060</u>	<u>313,500</u>
Total equity and liabilities		<u>1,173,057</u>	<u>1,179,798</u>

NOTES

For the six months ended 30 June 2023

1. GENERAL INFORMATION

Xinda Investment Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 4 January 2011 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, the Cayman Islands. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited since 12 January 2012.

The Company and its subsidiaries (together, the “**Group**”) are principally engaged in smart energy business and public infrastructure construction business. For this reporting period, two major shareholders of the Company are Harvest Oak Holdings Limited and Lightway Power Holdings Limited. The ultimate beneficial owner of the Company is Mr. Wei Shaojun (the “**Controlling Shareholder**”).

2. BASIS OF PREPARATIONS

This interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting”.

The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim condensed consolidated financial information is to be read in conjunction with the annual report for the year ended 31 December 2022, which has been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), and any public announcements made by the Company during the interim reporting period.

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the year ended 31 December 2022 and corresponding interim reporting period, unless otherwise stated.

A number of new or amended standards became applicable for the current reporting period. The application of the revised standards in the current interim period has no material impact on the amounts reported in these interim condensed consolidated financial statements and/or disclosures set out in these interim condensed consolidated financial statements.

Taxes on income in the interim reporting period are accrued using the tax rates that would be applicable to the expected total annual earnings.

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of electricity	37,243	34,129
Sales of household solar power generation systems and rendering smart energy services	13,577	16,886
Public infrastructure construction	<u>22,467</u>	<u>31,876</u>
	<u>73,287</u>	<u>82,891</u>
<i>Timing of revenue recognition</i>		
At a point in time	42,427	47,668
Over time	<u>30,860</u>	<u>35,223</u>
	<u>73,287</u>	<u>82,891</u>

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group presents the following two reportable segments:

- Smart energy business, and
- Public infrastructure construction business.

No geographical information is presented as substantially all of the Group's business activities were in the People's Republic of China (the "PRC").

Reportable segment profit or loss, assets and liabilities are as follows:

	Smart energy business	Public infrastructure construction business	Unallocated	Intersegment eliminations	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Six months ended 30 June 2023 (unaudited)					
Revenue from external customers	50,820	22,467	—	—	73,287
Reversal of impairment losses on financial assets	2,553	—	—	—	2,553
Impairment losses on property, plant and equipment	(1,370)	—	—	—	(1,370)
Impairment losses on goodwill	(7,298)	—	—	—	(7,298)
Finance income	1,716	16	9	—	1,741
Finance expenses	(5,093)	—	—	—	(5,093)
Income tax credit/(expenses)	62	(130)	—	—	(68)
Profit/(loss) for the period	2,552	388	(2,194)	—	746
<i>Other information</i>					
Depreciation and amortisation	(16,809)	—	(16)	—	(16,825)
Additions to non-current assets (<i>Note</i>)	1,408	—	—	—	1,408
As at 30 June 2023 (unaudited)					
Reportable segment assets	1,027,809	219,815	353,887	(428,454)	1,173,057
Reportable segment liabilities	<u>565,243</u>	<u>165,130</u>	<u>2,141</u>	<u>(428,454)</u>	<u>304,060</u>
Six months ended 30 June 2022 (unaudited)					
Revenue from external customers	51,015	31,876	—	—	82,891
Impairment losses on financial assets	(23,505)	—	—	—	(23,505)
Impairment losses on property, plant and equipment	(1,072)	—	—	—	(1,072)
Finance income	5,695	48	—	—	5,743
Finance expenses	(5,969)	—	(1)	—	(5,970)
Share of net loss of associates accounted for using the equity method	(265,854)	—	—	—	(265,854)
Income tax (expense)/credit	(30,100)	1,889	—	—	(28,211)
(Loss)/profit for the period	(317,315)	2,003	(2,169)	—	(317,481)
<i>Other information</i>					
Depreciation and amortisation	(22,516)	(10)	(52)	—	(22,578)
Additions to non-current assets (<i>Note</i>)	29,204	—	—	—	29,204
As at 31 December 2022 (audited)					
Reportable segment assets	960,147	215,908	346,827	(343,084)	1,179,798
Reportable segment liabilities	<u>492,838</u>	<u>161,612</u>	<u>2,134</u>	<u>(343,084)</u>	<u>313,500</u>

Note: Additions to non-current assets exclude financial assets and deferred tax assets.

5. OTHER LOSSES — NET

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net foreign exchange (losses)/gains	(1,275)	1,186
Net gains on disposal of property, plant and equipment	3	—
Net losses on disposal of subsidiaries	—	(8,488)
Others	(443)	(133)
	<u>(1,715)</u>	<u>(7,435)</u>

6. SHARE OF NET LOSS OF ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Share of net loss of associates	<u>—</u>	<u>265,854</u>

Due to the significant downturn of property development industry in the PRC during the six months ended 30 June 2022, certain other receivables held by Gao Bei Dian City Longchuang Central Heating Co., Ltd., an associate of the Group, from the property developer had experienced significant increase in credit risk. For the six months ended 30 June 2023, no loss allowance was recognised (For the six months ended 30 June 2022: approximately RMB265,854,000).

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	(346)	419
Deferred income tax	<u>278</u>	<u>(28,630)</u>
	<u>(68)</u>	<u>(28,211)</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income taxes in these jurisdictions.

The Group did not make any provisions for Hong Kong profit tax as there were no assessable profits arising in Hong Kong during the six months ended 30 June 2023 (2022: nil).

For the six months ended 30 June 2023, the statutory income tax rate of entities within the Group registered in the PRC is 25% (2022: 25%), except for the following entities entitled to tax exemption or preferential rates:

- Since the respective first revenue-generating year, subsidiaries operating solar power plants are exempted from enterprise income tax for the first three years and are entitled to a 50% tax reduction for the subsequent three years.
- From 1 January 2018 to 31 December 2022, Hoboksar Mongol Autonomous County Sifang Dianjin Energy Co., Ltd., an indirect non-wholly-owned subsidiary of the Company, is exempted from enterprise income tax for the first two years and are entitled to a 50% tax reduction for the subsequent three years.

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2023 and 2022, respectively:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to owners of the Company (RMB'000)	343	(317,758)
Weighted average number of ordinary shares in issue (thousands)	<u>1,484,604</u>	<u>1,484,604</u>
Basic earnings/(loss) per share (RMB)	<u>0.0002</u>	<u>(0.2140)</u>

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares.

For the six months ended 30 June 2023 and 2022, the exercise prices of the share options exceeded the average market price of ordinary shares of the Company during the respective period, therefore the effect of share options was anti-dilutive and was ignored from the calculation of diluted earnings/(loss) per share.

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Trade receivables (a)	289,624	288,718
Tariff adjustment receivables (b)	<u>141,285</u>	<u>122,912</u>
	430,909	411,630
Less: loss allowance for trade receivables	<u>(226,722)</u>	<u>(229,275)</u>
Total trade receivables	<u>204,187</u>	<u>182,355</u>
Prepayments	1,205	2,992
Deposits and other receivables	53,654	57,494
Less: loss allowance for other receivables	<u>(557)</u>	<u>(557)</u>
Gross trade and other receivables	258,489	242,284
Non-current portion	<u>(23,570)</u>	<u>(23,570)</u>
Current portion	<u><u>234,919</u></u>	<u><u>218,714</u></u>

As at 30 June 2023, the collection rights of trade receivables derived from solar power plants with carrying amount of RMB151,662,000 (31 December 2022: RMB132,653,000) were pledged as security for the Group's borrowings.

Ageing analysis of trade receivables on gross basis, based on invoice date, is as follows:

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Within 1 year	60,977	66,496
1 year to 2 years	55,211	50,808
2 years to 3 years	41,664	37,076
Over 3 years	<u>273,057</u>	<u>257,250</u>
	<u><u>430,909</u></u>	<u><u>411,630</u></u>

- (a) Trade receivables from sales of household solar power generation systems, rendering smart energy services and sales of electricity are due within six months, one year and one month from the invoice date, respectively. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and ageing. The allowance for trade receivables as at 30 June 2023 and 31 December 2022 was determined as follows:

As at 30 June 2023 (unaudited)

Sales of household solar power generation systems	Not yet past due	Past due within 6 months	Past due between 6 months and 18 months	Past due over 18 months	Total
<i>Individually assessed:</i>					
Gross carrying amount (RMB'000)	—	—	—	194,298	194,298
Loss allowance (RMB'000)	—	—	—	(181,709)	(181,709)
<i>Collectively assessed:</i>					
Expected loss rate	0%	0%	5%	10%	
Gross carrying amount (RMB'000)	5,128	7,585	14,044	476	27,233
Loss allowance (RMB'000)	—	—	(712)	(47)	(759)
Total loss allowance (RMB'000)					<u>(182,468)</u>

As at 31 December 2022 (audited)

Sales of household solar power generation systems	Not yet past due	Past due within 6 months	Past due between 6 months and 18 months	Past due over 18 months	Total
<i>Individually assessed:</i>					
Gross carrying amount (RMB'000)	—	—	—	197,307	197,307
Loss allowance (RMB'000)	—	—	—	(182,820)	(182,820)
<i>Collectively assessed:</i>					
Expected loss rate	0%	0%	5%	10%	
Gross carrying amount (RMB'000)	8,409	4,508	10,139	410	23,466
Loss allowance (RMB'000)	—	—	(515)	(41)	(556)
Total loss allowance (RMB'000)					<u>(183,376)</u>

As at 30 June 2023 (unaudited)

	Not yet past due	Past due within 1 year	Past due between 1 year and 2 years	Past due between 2 years and 3 years	Past due over 3 years	Total
<i>Individually assessed:</i>						
Gross carrying amount (RMB'000)	—	—	—	1,908	27,716	29,624
Loss allowance (RMB'000)	—	—	—	(1,908)	(27,716)	(29,624)
<i>Collectively assessed:</i>						
Expected loss rate	0%	5%	10%	N/A	N/A	
Gross carrying amount (RMB'000)	2,690	4,014	3,100	—	—	9,804
Loss allowance (RMB'000)	—	(203)	(306)	—	—	(509)
Total loss allowance (RMB'000)						<u>(30,133)</u>

As at 31 December 2022 (audited)

	Not yet past due	Past due within 1 year	Past due between 1 year and 2 years	Past due between 2 years and 3 years	Past due over 3 years	Total
<i>Individually assessed:</i>						
Gross carrying amount (RMB'000)	56	—	1,908	16,845	10,914	29,723
Loss allowance (RMB'000)	(56)	—	(1,908)	(16,845)	(10,914)	(29,723)
<i>Collectively assessed:</i>						
Expected loss rate	0%	5%	N/A	N/A	N/A	
Gross carrying amount (RMB'000)	5,627	3,100	—	—	—	8,727
Loss allowance (RMB'000)	—	(157)	—	—	—	(157)
Total loss allowance (RMB'000)						<u>(29,880)</u>

As at 30 June 2023 (unaudited)

Sales of electricity (non-government entities)	Not yet past due	Past due within 11 months	Past due	Past due	Past due	Past due over 47 months	Total
			11 months	23 months	35 months		
<i>Individually assessed:</i>							
Gross carrying amount (RMB'000)	—	1,326	843	1,309	5,990	4,113	13,581
Loss allowance (RMB'000)	—	(1,326)	(843)	(1,309)	(5,990)	(4,113)	(13,581)
<i>Collectively assessed:</i>							
Expected loss rate	0%	0%	5%	10%	14%	18%	
Gross carrying amount (RMB'000)	4,379	6,736	3,016	463	200	290	15,084
Loss allowance (RMB'000)	—	—	(153)	(46)	(28)	(52)	(279)
Total loss allowance (RMB'000)							<u>(13,860)</u>

As at 31 December 2022 (audited)

Sales of electricity (non-government entities)	Not yet past due	Past due within 11 months	Past due	Past due	Past due	Past due over 47 months	Total
			11 months	23 months	35 months		
<i>Individually assessed:</i>							
Gross carrying amount (RMB'000)	—	649	857	4,278	7,658	2,154	15,596
Loss allowance (RMB'000)	—	(649)	(857)	(4,278)	(7,658)	(2,154)	(15,596)
<i>Collectively assessed:</i>							
Expected loss rate	0%	0%	5%	10%	14%	18%	
Gross carrying amount (RMB'000)	3,446	6,610	3,254	194	196	199	13,899
Loss allowance (RMB'000)	—	—	(165)	(19)	(28)	(35)	(247)
Total loss allowance (RMB'000)							<u>(15,843)</u>

As at 30 June 2023 (unaudited)

			Past due between 11 months and 23 months	Past due between 23 months and 35 months	Past due between 35 months and 47 months	Past due over 47 months	Total
Sales of electricity (tariff adjustment receivables)	Not yet past due	Past due within 11 months	11 months and 23 months	23 months and 35 months	35 months and 47 months	Past due over 47 months	
<i>Collectively assessed:</i>							
Expected loss rate	0%	0%	0.09%	0.21%	0.36%	0.55%	
Gross carrying amount (RMB'000)	4,330	28,804	33,294	36,315	29,869	8,673	141,285
Loss allowance (RMB'000)	—	—	(30)	(77)	(107)	(47)	(261)
Total loss allowance (RMB'000)							<u>(261)</u>

As at 31 December 2022 (audited)

			Past due between 11 months and 23 months	Past due between 23 months and 35 months	Past due between 35 months and 47 months	Past due over 47 months	Total
Sales of electricity (tariff adjustment receivables)	Not yet past due	Past due within 11 months	11 months and 23 months	23 months and 35 months	35 months and 47 months	Past due over 47 months	
<i>Collectively assessed:</i>							
Expected loss rate	0%	0%	0.09%	0.21%	0.36%	0.55%	
Gross carrying amount (RMB'000)	2,589	34,602	33,458	30,286	19,906	2,071	122,912
Loss allowance (RMB'000)	—	—	(30)	(64)	(71)	(11)	(176)
Total loss allowance (RMB'000)							<u>(176)</u>

- (b) As at 30 June 2023, RMB108,151,000 (31 December 2022: RMB85,721,000) of trade receivables aged over one year represent tariff adjustment receivables, derived from the subsidies in respect of sales of electricity. Applying the expected credit risk model result in loss allowance amounted to RMB261,000 recognised for tariff adjustment receivables as at 30 June 2023 (31 December 2022: RMB176,000).

(c) Movement in the loss allowance of trade and other receivables is as follows:

	Six months ended 30 June 2023 RMB'000 (Unaudited)	Year ended 31 December 2022 RMB'000 (Audited)
Opening balance	229,832	206,258
(Decrease)/increase in loss allowance Trade receivables	<u>(2,553)</u>	<u>23,574</u>
Closing balance	<u><u>227,279</u></u>	<u><u>229,832</u></u>

10. SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Six months ended 30 June 2023 (Unaudited)		
	No. of shares (thousands)	Amount HK\$'000	RMB equivalent RMB'000
As at 1 January 2023 and 30 June 2023	<u>1,484,604</u>	<u>14,846</u>	<u>12,255</u>

During 19 January 2017 to 14 September 2018, the Company granted a total of 125,565,691 share options (the “Options”) under its share option scheme adopted on 22 November 2011 and refreshed on 12 June 2018. The Options entitled eligible participants to subscribe for up to a total of 125,565,691 new shares with par value of HK\$0.01 each in the share capital of the Company. As at 30 June 2023, there were 718,800 outstanding share options. For the six months ended 30 June 2023, no expense arising from share-based payment transactions was recognised as part of employee benefit expense (2022: nil).

11. TRADE AND OTHER PAYABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade payables	20,120	17,586
Accruals and other payables	<u>49,063</u>	<u>39,207</u>
	<u><u>69,183</u></u>	<u><u>56,793</u></u>

Ageing analysis of trade payables, based on invoice date, is as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 1 year	6,113	6,492
Over 1 year	<u>14,007</u>	<u>11,094</u>
	<u><u>20,120</u></u>	<u><u>17,586</u></u>

12. DIVIDENDS

During the six months ended 30 June 2023, the Company did not declare any dividends to the shareholders of the Company (2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the six months ended 30 June 2023 (the “**Period**”), Xinda Investment Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) were principally engaged in smart energy business and public infrastructure construction business, with gradual expansion and diversification to other clean energy businesses and investment businesses.

During the first half of 2023, as the impact of the pandemic prevention and control was gradually eliminated, China’s economy recovered steadily. However, it was still at an early stage, with improving but still weak domestic demand and business confidence. For the Period, the Group’s revenue was RMB73,287,000 (same period of 2022: RMB82,891,000), representing a decrease of approximately 11.6% as compared to the same period of 2022. Such decrease in revenue was primarily attributable to the decrease in investment in the public infrastructure construction business during the Period. Profit attributable to owners of the Company amounted to RMB343,000 (same period of 2022: loss attributable to owners of the Company of RMB317,758,000). Such turning around was primarily attributable to (among others) the recognition of a net loss of RMB265,854,000 for an associate accounted for using equity method and the derecognition of deferred income tax assets of RMB28,982,000 due to changes in operating environment in the same period of 2022, which did not occur during the Period.

BUSINESS REVIEW

Smart Energy Business

The Group’s smart energy business, positioned as comprehensive energy services for the user side, mainly serves to meet the demands from customers in industrial, commercial and residential sectors as well as public institutions. The Group provides its customers with a full range of smart energy comprehensive utilisation services based on various energy sources including electricity, heat and gas by leveraging on its smart energy cloud platform with proprietary intellectual property rights, to help customers improve their energy utilisation efficiency and reduce energy consumption cost, whereby building a diversified, clean and low-carbon energy supply system.

The Group’s smart energy business mainly represents the possession and operation of solar power plants, including the possession and operation of 11 ground and distributed solar power plants with an installed capacity of approximately 64 megawatts (MW), and the possession and operation household solar power plants of approximately 18 MW. During the Period, the total power generation revenue of the existing solar power plants was RMB37,243,000 (same period of 2022: RMB34,129,000). In addition, the Group also holds and operates a heating project and provides operation and maintenance services for some external household solar power plants.

During the Period, the smart energy business contributed approximately RMB50,820,000 (same period of 2022: RMB51,015,000) to the Group's revenue, representing a slight decrease as compared to the same period of last year, which was primarily attributable to the decrease in revenue from providing smart energy services. The smart energy business recorded profit of RMB2,552,000 during the Period (same period of 2022: loss of RMB317,315,000). The significant decrease in loss was mainly due to the recognition of a net loss of approximately RMB265,854,000 for an associate accounted for using equity method and the derecognition of deferred income tax assets of approximately RMB28,982,000 due to changes in operating environment in the same period of 2022, which did not occur during the Period.

Public Infrastructure Construction Business

The public infrastructure construction business refers to the business in relation to the construction of public infrastructure and the related preliminary investment and post-construction, operation and management under the Baoding Donghu project (the "**Baoding Donghu Project**"). During the Period, the Baoding Donghu Project contributed RMB22,467,000 (same period of 2022: RMB31,876,000) to the Group's revenue. Profit amounted to approximately RMB388,000 (same period of 2022: RMB2,003,000). The decrease in both revenue and profit was primarily attributable to the decreased investment made by the Group in the project as impacted by the downward trend of the domestic real estate industry.

BUSINESS OUTLOOK

Driven by the strong demand for renewable energy worldwide, the solar industry maintained a good momentum in the first half of 2023. The installed solar power generation capacity of China amounted to 78.42 gigawatts (GW) in the first half of 2023, increasing by approximately 154% from the same period of last year. Looking ahead to the second half of the year, it is expected that the solar industry will continue to maintain its growth momentum, but the complex global situation, such as trade disputes, geopolitics and supply chain crises, and other uncertainties, will continue to pose challenges to the investment decisions and market demand in the industry. Meanwhile, with the continuous expansion of the installed solar power plants and the gradual decline of solar feed-in tariffs in China, the profitability of enterprises will be affected to a certain extent.

Against the backdrop of the above uncertainties, the Group will continue to focus on stable development at this stage, consolidate and continuously improve the operation and management of the existing solar power plants, exercise strict cost control, tap the power generation potential and enhance the power generation revenue; while seeking for suitable investment and development opportunities and explore business development opportunities that are beneficial to the Group, so as to safeguard the best interests of the Company and the shareholders (the "**Shareholders**") as a whole.

FINANCIAL REVIEW

Revenue and Gross Profit

The Group's revenue and gross profit for the Period amounted to RMB73,287,000 (same period of 2022: RMB82,891,000) and RMB22,235,000 (same period of 2022: RMB26,522,000), respectively, representing a decrease in revenue and gross profit of 11.6% and 16.2% respectively as compared to the same period of last year. Such decreases were primarily attributable to the decreased investment made by the Group in the public infrastructure construction business as impacted by the downward trend of the domestic real estate industry.

Gross profit margin was 30% (same period of 2022: 32%), representing a decrease of 2.0% as compared to the same period of last year. Such decrease was primarily attributable to the decreased gross profit from the smart energy business.

Selling and Distribution Expenses

The Group incurred selling and distribution expenses of RMB161,000 during the Period (same period of 2022: RMB1,584,000), representing a decrease of 89.8% as compared to the same period of last year. Such decrease was primarily attributable to the decrease in selling expenses of the household solar power generation systems business.

Administrative Expenses and Impairment Losses on Non-current Assets

The Group incurred administrative expenses of RMB18,799,000 during the Period (same period of 2022: RMB17,234,000), representing an increase of 9.0% as compared to the same period of last year. Such increase was primarily attributable to partial impairment provision for goodwill during the Period.

Reversal of/Impairment Loss on Financial Assets

During the Period, the Group's reversal of impairment loss on financial assets amounted to approximately RMB2,553,000 (same period of 2022: impairment loss of RMB23,505,000), mainly due to the recovery of some receivables during the Period.

Finance Expenses, Net

Net finance expenses of the Group amounted to RMB3,352,000 for the Period (same period of 2022: RMB227,000), representing an increase of approximately 1376.7% as compared to the same period of last year. Such increase was primarily attributable to the decrease in interest income.

Income Tax Expense

Income tax expense of the Group amounted to RMB68,000 for the Period (same period of 2022: RMB28,211,000), representing a decrease of 99.8% as compared to the same period of last year, which was primarily attributable to the absence of derecognition of deferred income tax assets in the Period.

Share of Net Loss of Associate Accounted for Using the Equity Method

For the first half of 2022, affected by the dramatic adjustment of the domestic real estate industry, an associate of the Group made a relatively significant amount of provision on impairment loss for its certain other receivables held by the associate from the property developers. During the Period, no loss allowance was recognised by the Group for the associate (same period of 2022: RMB265,854,000).

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 30 June 2023, bank balances and cash amounted to approximately RMB217,406,000 (as at 31 December 2022: RMB213,198,000), of which approximately RMB1,834,000 (as at 31 December 2022: RMB7,817,000) was restricted bank balances and cash (mainly used for the expenses incurred by the Baoding Donghu Project). The increase in bank balances and cash was mainly due to the balance of operating funds.

Total Current Assets and Current Ratio

As at 30 June 2023, total current assets and current ratio (total current assets/total current liabilities) were approximately RMB647,241,000 (as at 31 December 2022: RMB629,170,000) and 5.79 (as at 31 December 2022: 6.05), respectively. Such increase in total current assets was primarily attributable to the increase in trade and other receivables, and the decrease in current ratio was because the ratio of the increase of current liabilities was higher than that of current assets.

External Borrowings and Pledge of Assets

As at 30 June 2023, the Group had external borrowings of RMB173,400,000 (as at 31 December 2022: RMB186,300,000), which was secured by certain of the machinery of solar power plants with a carrying amount of RMB237,459,000 and the collection rights of future receivables of certain subsidiaries (as at 31 December 2022: RMB186,300,000 was secured by certain of the machinery of solar power plants with a carrying amount of RMB246,991,000 and the collection rights of future receivables of certain subsidiaries).

Gearing Ratio

The table below sets forth the calculation of gearing ratio of the Group as at the dates indicated:

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Bank loans	173,400	186,300
Lease liabilities	13,054	13,162
Less: Cash and cash equivalents	(215,572)	(205,381)
Restricted cash	<u>(1,834)</u>	<u>(7,817)</u>
Net cash	(30,952)	(13,736)
Total equity	<u>868,997</u>	<u>866,298</u>
Total capital (Net cash plus total equity)	<u>838,045</u>	<u>852,562</u>
Gearing ratio (Net debt/total capital)	<u>N/A</u>	<u>N/A</u>

As at 30 June 2023, the net cash of the Group was RMB30,952,000, which was primarily attributable to the increase in cash and cash equivalents held and the decrease in debts.

The proportion of long-term and short-term debts was 63.9% and 36.1%, respectively (as at 31 December 2022: 66.8% and 33.2%), of which borrowings of the solar power business amounting to RMB173,400,000 were gradually repaid with proceeds from electricity sales. Therefore, the Group was not exposed to any significant insolvency risk.

Interest Rate Risk

The Group's interest rate risk arises primarily from its external borrowings. During the Period, the external borrowings, which mainly represent bank borrowings for solar power plants, bear interests at rates ranging from 5.39% to 5.63% per annum (as at 31 December 2022: 5.39% to 5.63% per annum). The interest rates applicable to the borrowings of the solar power plants were charged at the lending rate of the People's Bank of China for the same period plus 10% to 15%. Its risk is derived from the volatility in China's policy on interest rate, but the Group expects the impact of the interest rate risk on the Group's consolidated profit or loss to be insignificant.

Exchange Risk

As the Group's principal activities are carried out in the PRC, the Group's transactions are mainly denominated in Renminbi, which is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchanges. The exchange rates adopted for foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

The Group currently does not have a policy on foreign currency risk as it had minimal transactions denominated in foreign currencies during the Period, and the impact of foreign currency risk on the Group's operation is minimal.

Investment Commitments

As at 30 June 2023, the Group had investment commitments of approximately RMB101,600,000 (as at 31 December 2022: RMB101,600,000), which were mainly the Group's obligations of capital contribution to its associated company, Longyao (Beijing) Clean Energy Technology Company Limited (隆耀(北京)清潔能源科技有限公司) that shall be fulfilled before 31 December 2025.

Contingent Liabilities

As at 30 June 2023, the Group had no material contingent liabilities (as at 31 December 2022: nil).

Fund Raising Activities

The Company did not have any fund raising activities during the Period.

MATERIAL ACQUISITION, INVESTMENT AND DISPOSAL

Material Acquisition and Investment

The Group had no material acquisition and investment during the Period.

Material Disposal

The Group had no material disposal during the Period.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 69 employees as at 30 June 2023 (as at 31 December 2022: 62 employees). Employees are remunerated according to the nature of their positions, individual qualification, performance, work experience and market trends, and subject to periodic reviews based on their performance.

COMPLIANCE WITH THE CG CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company had complied with all the applicable code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) during the Period, except for the following deviation:

Mr. Wei Qiang, an executive Director, is the chief executive officer and the chairman of the Board. According to Provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Board is of the opinion that vesting the roles of both the chairman and the chief executive officer in the same person could improve the Company’s effectiveness and efficiency in reaching its business goals. The Board also believes that this arrangement will not be detrimental to the balance of power and authority between the chairman and the chief executive officer, while a higher ratio of non-executive Directors (including independent non-executive Directors) will enable the Board to make unbiased judgments more effectively and provide sufficient supervision to protect the interests of the Company and the Shareholders.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the securities transactions of the Directors.

The Company has made specific enquiry to all Directors, and all Directors have confirmed that, during the Period, they had complied with the requirements of the Model Code.

REVIEW OF INTERIM RESULTS

The interim consolidated financial information is unaudited but has been reviewed by the external auditor of the Company.

The Audit Committee, together with the management, has reviewed the Group’s unaudited interim consolidated financial information for the Period. The Audit Committee is of the opinion that such financial information has complied with the applicable accounting standards, and the Stock Exchange and legal requirements, and that adequate disclosure has been made. The Audit Committee has also reviewed this interim results announcement and confirms that it is complete and accurate and complies with the requirements of the Listing Rules.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend in respect of the Period (same period of 2022: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION

The interim results announcement of the Company for the Period is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.longitech.hk) respectively. The 2023 interim report will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
Xinda Investment Holdings Limited
Wei Qiang
Chairman

Hebei, 28 August 2023

As at the date of this announcement, the executive Director is Mr. Wei Qiang, and the independent non-executive Directors are Dr. Han Qinchun, Mr. Wong Yik Chung, John and Mr. Feng Zhidong.